



Interim Report 30 June 2005
Nordea Kredit Realkreditaktieselskab
Business registration number 15134275

- **First half profit of DKK 358m**
- **Growth in lending of DKK 14bn**
- **Total lending of DKK 176bn**
- **Market share continues to increase**

Results

Nordea Kredit posted a profit of DKK 358m for the first six months of 2005 compared to DKK 288m for the same period last year. The profit is satisfactory and was achieved in a highly active market characterised by strong competition and product innovation.

Expenses increased, largely as a result of higher IT costs and increased focus on lending to corporate customers.

Loan loss provisions were less than DKK 1m in the first half of 2005. In the first six months Nordea Kredit repossessed eight properties and sold 13 properties so that the portfolio of repossessed properties comprised five properties at 30 June 2005.

Lending

In the first half-year lending increased by DKK 14bn measured at nominal value and total lending amounted to DKK 173bn – also measured at nominal value at 30 June 2005. Measured at fair value total lending is

approximately DKK 2bn higher. The increase in lending exceeds expectations and is the largest increase recorded by Nordea Kredit in one half-year.

Loans for residential properties and holiday homes totalled DKK 136.6bn (nominal value) at 30 June 2005 compared to DKK 120.3bn a year ago. Loans for agricultural properties increased from DKK 17.7bn a year ago to DKK 20.2bn at 30 June 2005, while other commercial mortgage lending was DKK 16.4bn at 30 June 2005 against DKK 11.8bn at the same time last year.

Nordea Kredit's share of the mortgage market continues to increase. In terms of residential properties the market share of lending thus increased from 14.0% at 30 June 2004 to 14.6% at 30 June 2005. On the agricultural side the share increased from 10.4% to 11.2% in the same period. The share of other commercial mortgage lending rose significantly, but it still remains at a lower level.

Nordea Kredit – financial summary

	2001 Jan- June	2002 Jan- June	2003 Jan- June	2004 Jan- June	2004 July- Dec	2005 Jan- June
Income statement (DKKm)						
Net interest and fee income	243	254	375	367	402	475
Securities and foreign exchange income	16	4	-1	-5	4	-30
Staff costs and administrative expenses	68	74	70	73	76	87
Loan loss provisions	0	1	3	1	0	0
Profit on shares in associated and group undertakings	0	0	-	-	-2	-
Profit	190	183	300	288	328	358
Balance sheet, end of period (DKKm)						
Loans	92,728	108,384	128,234	149,994	159,467	175,638
Shareholders' equity, including profit for the period	5,226	5,618	7,250	8,573	8,900	9,259
Total assets	104,089	120,639	161,478	174,086	188,169	210,499
Ratios and key figures						
Total capital ratio, including profit for the period (%)	10.5	9.7	10.7	10.3	10.4	9.8
Tier 1 capital ratio, including profit for the period (%)	10.5	9.7	10.7	10.3	10.4	9.8
Pre-tax return on equity for the period (%)	3.7	3.3	4.6	3.6	3.8	3.9
Post-tax return on equity for the period (%)	3.7	3.3	4.6	3.6	3.8	3.9
Income/cost ratio for the period	3.77	3.43	5.08	4.89	5.24	5.16
Foreign exchange exposure as % of tier 1 capital	0.0	0.2	0.1	0.1	0.0	0.1
Loans/shareholders' equity	17.7	19.3	17.7	17.5	17.9	19.0
Lending growth for the period (%)	6.4	8.3	10.3	7.6	6.3	9.4
Provision ratio for the period	0.0	0.0	0.0	0.0	0.0	0.0
Average number of employees	118	119	120	123	124	129

The accounting figures have been restated in line with the new accounting policies, see Accounting policies.

Ratios and key figures have been computed in accordance with the Danish Financial Supervisory Authority's definitions.

At 30 June 2005 shareholders' equity of Nordea Kredit was DKK 8.9bn, excluding the profit for the period. The parent company has decided to strengthen the capital base by increasing the share capital by DKK 125m subscribed at a price of DKK 600 per share, corresponding to a total capital injection of DKK 750m. The capital increase was adopted at the company's extraordinary general meeting held on 23 August 2005.

Outlook for remainder of 2005

Nordea Kredit expects to see continued growth in lending to all customer segments and increasing market shares.

Results for the second half-year are expected to be lower than for the first half-year.

Copenhagen,
24 August 2005

Jørn Kristian Jensen
Chairman of the Board of Directors

Palle O. Nielsen
Michael Jensen
Executive Management

Accounting policies

General

The accounts of Nordea Kredit have been prepared in accordance with the Danish Financial Business Act, the Executive Order on financial reports for credit institutions and investment companies etc (the Executive Order) and the disclosure rules of the Copenhagen Stock Exchange.

The Danish Financial Supervisory Authority's new Executive Order results in a number of changes in the recognition, measurement and presentation of accounting items compared to the accounting policies applied in 2004. The changes have been incorporated in the opening balance at 1 January 2005. Otherwise, the interim report has been prepared in accordance with the principles for recognition and measurement appearing from the annual report for 2004.

The balance sheet items, mortgage loans and mortgage bonds in issue, are measured at fair value and this measurement is a deviation from the rules in article 42a of the Fourth Company Directive (78/660/EEC) with a view to giving a true and fair view of the assets, liabilities and results.

Comparative figures

The comparative figures for 2004 and earlier have been prepared in accordance with former accounting policies as regards financial assets and liabilities, including mortgage loans, mortgage bonds in issue and portfolio of own bonds and interest pursuant to the commencement provision in the Executive Order. Other comparative figures have been restated.

Effect of changed accounting policies

The changes to the accounting policies have no effect on equity in the opening balance at 1 January 2005, see the table below.

Description of the most significant changes

1. Mortgage lending

Mortgage loans are measured at fair value, corresponding to the current market price at the balance sheet date. If impairment of loans and receivables or a group hereof can be objectively identified, provisions for loan losses are made corresponding to the impairment.

Mortgage loans were previously measured at nominal value and only individual provisions for loan losses have been made.

2. Mortgage bonds in issue

Mortgage bonds in issue are measured at fair value, corresponding to the current market price at the balance sheet date. Announced scheduled payments for the next payment date are measured at the discounted value.

Mortgage bonds in issue were previously measured at nominal value.

3. Portfolio of own bonds and interest

The portfolio of own mortgage bonds is offset against mortgage bonds in issue. Interest on own bonds is offset against interest payable on mortgage bonds in issue. Interest receivable on own bonds is similarly offset against interest payable under the item Other liabilities in the balance sheet.

The portfolio of own mortgage bonds was previously included in the asset item Bonds. Interest on own bonds was previously included in the item Interest receivable on bonds.

4. Temporarily repossessed properties

Repossessed properties are included in the item Temporarily repossessed assets. The properties were previously included in the item Tangible assets.

DKKm	Item	1 January 2004			31 December 2004		
		Assets	Liabilities	Equity	Assets	Liabilities	Equity
Former accounting policies		180,728	173,194	7,534	188,169	179,269	8,900
Mortgage lending	1				1,062		1,062
Mortgage bonds in issue	2					1,069	-1,069
Other assets/liabilities					22	15	7
Portfolio of own bonds and interest	3				-1,691	-1,691	-
Effect of changed accounting policies					-607	-607	0
Reclassification:	4						
From Tangible assets		-4			-6		
To Temporarily repossessed assets		4			6		
New accounting policies 1 January		180,728	173,194	7,534	187,562	178,662	8,900

Income statement

DKKm	Note	2004 Jan- June	2005 Jan- June
Interest income	1	3,990	4,609
Interest expense	2	3,522	4,036
Net interest income		467	573
Dividend income		1	1
Fee and commission income		117	179
Fee and commission expense	3	219	278
Net interest and fee income		367	475
Securities and foreign exchange income	4	-5	-30
Other operating income		0	0
Staff costs and administrative expenses	5	73	87
Depreciation, amortisation and impairment charges of intangible and tangible assets		1	0
Loan loss provisions		1	0
Profit on shares in associated and group undertakings	6	-	-
Profit before tax		288	358
Tax	7	-	-
Profit		288	358

Balance sheet, end of period

DKKm	Note	2004 Jan- June	Opening balance 1 January 2005	2005 Jan- June
ASSETS				
Cash and balances with central banks		0	0	0
Balances due from credit institutions and central banks		22,236	25,538	34,577
Loans and receivables at fair value	8,10,11	149,844	160,401	175,487
Loans and receivables at amortised cost	9	150	128	150
Bonds at fair value		1,701	-	-
Shares etc		3	7	5
Shares in associated undertakings		2	0	0
Intangible assets		-	2	14
Other tangible assets		2	2	2
Temporarily repossessed assets	12	3	6	3
Other assets	12,13	146	1,478	261
Total assets		174,086	187,562	210,499
LIABILITIES AND EQUITY				
Liabilities				
Balances due to credit institutions and central banks		1,726	1,718	6,059
Mortgage bonds in issue		161,483	172,186	192,226
Other liabilities	14	2,303	4,746	2,928
Deferred income		2	12	27
Total liabilities		165,514	178,662	201,240
Equity				
Share capital	15	1,438	1,438	1,438
Share premium account	16	4,221	4,221	-
Retained earnings		2,625	3,241	7,463
Profit for the period after tax		288	-	358
Total equity		8,573	8,900	9,259
Total liabilities and equity		174,086	187,562	210,499

Notes

DKK m		2004 Jan- June	2005 Jan- June
Note 1	Interest income on:		
	Balances due from credit institutions and central banks	148	216
	Loans	3,461	3,908
	Administration fees	362	415
	Total bonds	1	11
	Total derivatives	13	52
	- Foreign exchange derivatives	-	-
	- Interest rate derivatives	13	52
	Other interest income	6	7
	Total	3,990	4,609
	Of which interest income on purchase and resale transactions entered under:		
	Balances due from credit institutions and central banks	143	201
Note 2	Interest expense to:		
	Credit institutions and central banks	23	51
	Mortgage bonds in issue	3,499	3,985
	Total	3,522	4,036
	Of which interest expense on sale and repurchase transactions entered under:		
	Balances due to credit institutions and central banks	23	50
Note 3	Fee and commission expense:		
	Guarantee commissions etc to Nordea Bank Danmark A/S	152	172
	Brokerage to Nordea Bank Danmark A/S	34	55
	Other fees and commissions	33	51
	Total	219	278
Note 4	Securitized and foreign exchange income:		
	Mortgage loans	-	2,295
	Bonds	-5	-8
	Shares etc	0	0
	Currencies	0	0
	Total derivatives	-	-22
	- Foreign exchange derivatives	-	-
	- Interest rate derivatives	-	-22
	Mortgage bonds in issue	-	-2,295
	Total	-5	-30

Noter

DKKm	2004 Jan- June	Opening balance 1 January 2005	2005 Jan- June
Note 5 Staff costs and administrative expenses			
Salaries and emoluments to the Executive Management and the Board of Directors			
Executive Management	2		2
Board of Directors	-		-
Total	2		2
Staff costs			
Salaries	29		31
Pension costs	2		2
Social security contributions	4		5
Total	35		38
Other administrative expenses	36		47
Total	73		87
Note 6 Profit on shares in associated and group undertakings			
Profit on shares in associated and group undertakings	-		-
Total	-		-
Realkreditnettet Holding A/S, Copenhagen. Services to the mortgage sector, among others. Shareholding of 20.25%.			
Note 7 Tax			
Nordea Kredit is taxed on a pooled basis with Nordea Bank Danmark A/S, which pays all tax for the jointly taxed companies. As a result, Nordea Kredit is jointly and severally liable for the total tax liability in respect of the pooled income.			
The item includes tax on loan loss provisions.			
Note 8 Loans and receivables at fair value			
Mortgage loan portfolio, beginning of period – nominal value	139,244		159,345
New loans (gross new lending)	30,402		49,787
Currency translation adjustment	-7		10
Redemptions and prepayments	18,253		34,634
Net new lending	12,142		15,157
Scheduled principal payments	1,536		1,305
Mortgage loan portfolio, end of period - nominal value	149,850	159,345	173,197
Adjustment for interest rate risk etc - fair value adjustment	-	1,062	2,295
Adjustment for credit risk	-6	-6	-4
Total - fair value	149,844	160,401	175,487

Notes

DKK m	2004 Jan- June	Opening balance 1 January 2005	2005 Jan- June
Note 9 Loans and receivables at amortised cost			
Mortgage arrears before provisions	129	121	143
Execution levied against debtors' properties before provisions	14	0	0
Other loans	7	7	7
Total	150	128	150
Note 10 Provisions for individually assessed loans			
Accumulated provisions, beginning of period	6	6	6
Movements during the year:			
- Provisions during the year	1	3	1
- Reversals of provisions made in previous financial years	1	3	3
Total	6	6	4
Note 11 Provisions for groups of significant loans			
Accumulated provisions, beginning of period	-	-	-
Movements during the year:			
- Provisions during the year	-	-	-
- Reversals of provisions made in previous financial years	-	-	-
Total	-	-	-
Note 12 Provisions for other balances due from credit institutions and other items with credit risk			
Accumulated provisions, beginning of period	1	1	0
Movements during the year:			
- Provisions during the year	1	1	0
- Reversals of provisions made in previous financial years	1	1	0
Total	1	1	0
Note 13 Other assets			
Positive market value of derivatives	-	0	0
Interest receivable on mortgage loans etc included in calculation of statutory balance between mortgage loans and mortgage bonds in issue	79	1,446	121
Interest receivable on bonds etc	43	22	87
Other	25	10	53
Total	146	1,478	261
Note 14 Other liabilities			
Negative market value of derivatives	-	2	0
Interest payable on mortgage bonds in issue included in calculation of statutory balance between mortgage loans and mortgage bonds in issue	2,249	4,672	2,854
Other interest and commissions payable	26	30	31
Other liabilities	27	43	43
Total	2,303	4,746	2,928

Notes

DKKm	2004 Jan- June	2004 July- Dec	Opening balance 1 January 2005	2005 Jan- June
Note 15 Equity				
Share capital, beginning of period	1,288	1,438	1,438	1,438
Increase of share capital	150	-	-	-
Share capital, end of period	1,438	1,438	1,438	1,438
Share premium account, beginning of period	3,621	4,221	4,221	4,221
Increase of share capital	600	-	-	-
Other disposals	-	-	-	-4,221
Share premium account, end of period	4,221	4,221	4,221	-
Retained earnings, beginning of period	2,625	2,913	3,241	3,241
Change in accounting policies	-	-	0	-
Other additions	-	-	-	4,221
Profit for the period	288	328	-	358
Retained earnings, end of period	2,913	3,241	3,241	7,821
Total equity, end of period	8,573	8,900	8,900	9,259

Note 16 Share capital

The company's share capital consists of 14,382,500 shares of DKK 100 each. Nordea Bank Danmark A/S, PO Box 850, DK-0900 Copenhagen C, holds all shares in the company. The parent company of the Nordea Group is Nordea Bank AB (publ), Hamngatan 10, 105 71 Stockholm, Sweden.